

2014 Economic Impact of Tourism in Indiana

Methodology, Metrics and
Evaluation



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2014 Indiana Tourism Highlights

Background & Methodology

2013 – 2014 Indiana Tourism Performance

2014 Tourism's Contribution to the Indiana Economy

2013 – 2014 Indiana Tourism by County

How Does Tourism Benefit Indiana?

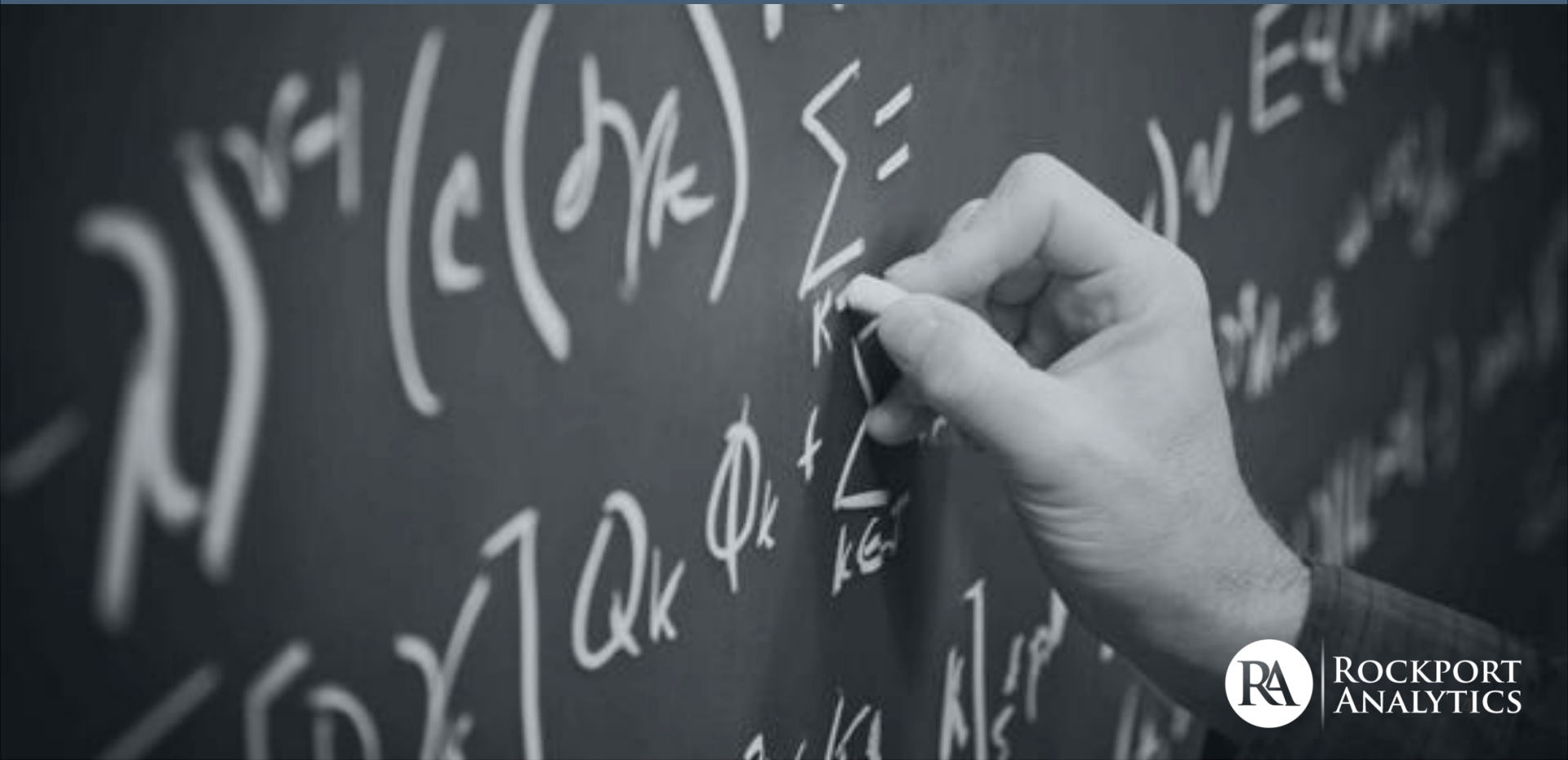


2014 Indiana Tourism Highlights

- Indiana tourism had another strong year in 2014 with total spending reaching \$10.7 billion, a 3.3% increase versus year-earlier levels. Tourism spending advanced by 2% in 2013, but subtract Super Bowl XLVI's outsized impact on 2012 and growth last year would have been over 4%. Total U.S. tourism spending increased by 4.7% in 2014.
- Indiana attracted 74 million visitors in 2014, a gain of 3.2% over 2013. Strong increases among business travelers (+4.6%) and all types of day trips (+3.7%) helped to drive growth. Meanwhile leisure trips advanced by 2.9% to 63.1 million Person-trips (P-trips) and all overnight visitors rose by 2.3%. U.S. domestic trip volume increased by 2.4% in 2014.
- Tourism's contribution to Indiana's economy continues to impress. The industry added \$8.1 billion to Indiana Gross Domestic Product (GDP) in 2014, an increase of 3.1% from the year before. Tourism now accounts for over 2.5% of Indiana's total economy. Hoosier tourism supported nearly 192,000 in the state with paid wages in excess of \$5 billion dollars.
- Indiana's tourism industry supported 144,200 direct jobs in 2014, an increase of 2.6%. Meanwhile, total employment in Indiana in all sectors grew by 1.5%. In fact, the industry was responsible for about 10% of all the new jobs created in the state during 2014. The tourism industry remained the 7th largest employer in Indiana just behind Administrative Services and ahead of Construction.
- Hoosier tourism contributed \$2.25 billion in tax receipts during 2014, \$1.24 billion of which went to state and local governments in Indiana. Tourism-initiated state & local receipts increased by 4.2% versus 2013 on the strength of better visitor spending and some rate increases. Tourism was responsible for about 3.4% of all Indiana state and local revenues in 2014. If tourism did not exist in the state, each Hoosier household would have to pay an additional \$500 per in order to maintain current levels of tax receipts.
- For every \$1 spent by Hoosier visitors in 2014, the state economy retained about 76¢. About 48¢ of that retained benefit went towards paying Indiana workers a total of \$5.1 billion in wages and salaries. And 12¢ of each visitor dollar went towards the payment of state and local taxes.

2014 Economic Impact of Tourism in Indiana

Background & Methodology



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Study Overview

The economic impact of tourism in the state of Indiana was commissioned by the Indiana Office of Tourism Development. Covering the 2014 calendar, the analysis seeks to translate the contribution made by visitors to Indiana GDP, jobs, wages, and tax receipts. The research was conducted by Rockport Analytics and Reach Market Planning, both independent market research & consulting companies, using a time-tested approach that has been applied to many state and city destinations across the United States. The goal of the study was to measure and analyze the full economic contribution that visitors make to the Indiana economy.

Methodology

The total economic impact of travelers is separated into three distinct effects: direct, indirect, and induced. The direct impacts represent the value added of those sectors that interact directly with, or touch, the visitor. The indirect impact represents the benefit to local suppliers to those direct sectors. This would include, for example, Indiana-based food suppliers to restaurants. The induced impact adds the effect of tourism-generated wages as they are spent throughout Indiana's economy.

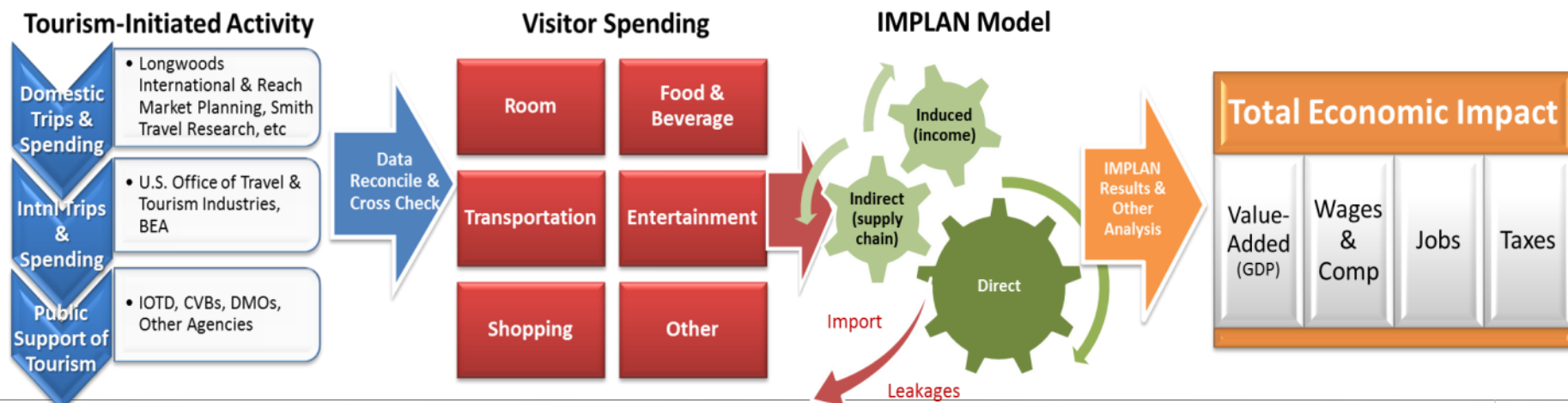
The economic impacts reported in this study are based on Indiana visitor spending as reported by Longwoods International (www.longwoods-intl.com), Reach Market Planning (www.reachmp.com) and the National Travel & Tourism Office of the Bureau of Commerce (<http://tinet.ita.doc.gov>). This traveler data is then reconciled with Bureau of Labor Statistics (BLS) reported employment data, reported tax receipts from the Indiana Department of Revenue, and other secondary sources such as Smith Travel Research, Dun & Bradstreet, and McGraw-Hill Construction. >>

Methodology Cont.

An economic model of Indiana is also critical to estimating how traveler spending resounds through the state and county-level economies. Rockport Analytics has chosen the IMPLAN model for Indiana (www.implan.com), a non-proprietary economic model that has become the standard for most economic impact assessments in the United States. This model is critical to measuring the direct, indirect, and induced impacts of visitation to the state.

IMPLAN also measures how much of each tourism dollar remains in the state economy. Total traveler spending generally exceeds the direct impact of tourism. This is because not all goods and services purchased by travelers are supplied by firms located in Indiana. The IMPLAN model accounts for these import “leakages”² to suppliers located outside of the state. Generally, the more diversified a state economy, the lower are import leakages and the higher the retention and multiplier of visitor spending.

² Leakages refer to goods and services that must be imported into the state due to insufficient in-state capacity.

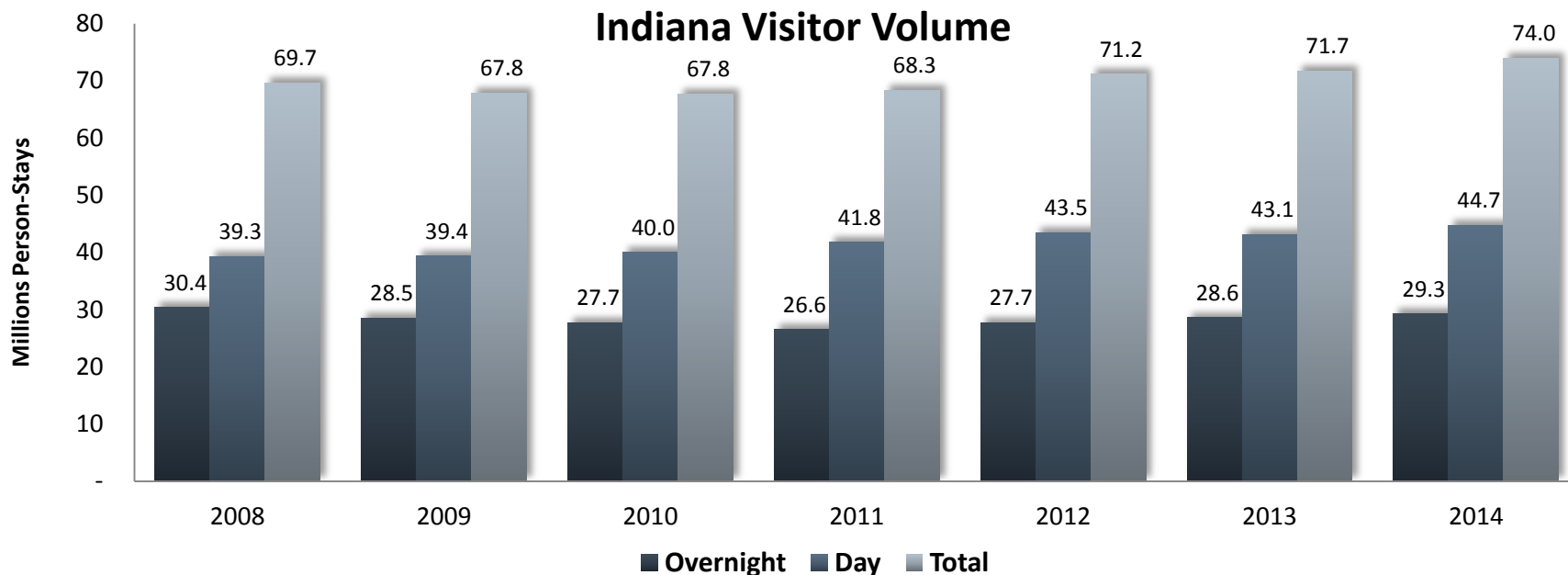


2014 Economic Impact of Tourism in Indiana

Indiana Tourism Performance



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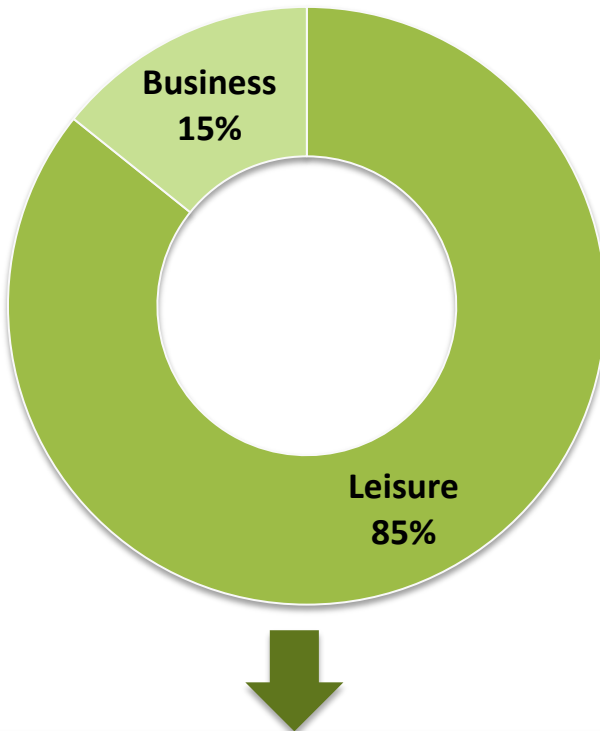


Note: All international visitation was summed in the Overnight category

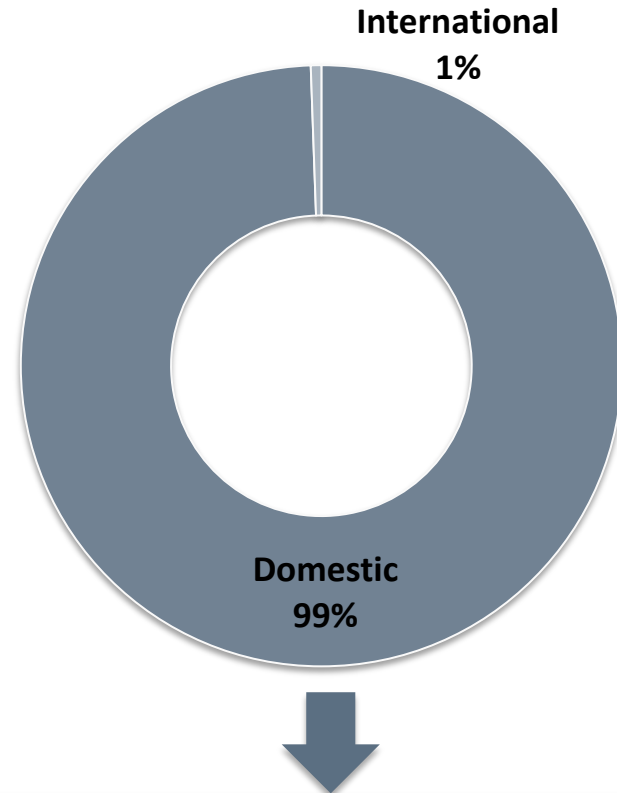
Source: Longwoods International, Reach Market Planning, OTTI, Rockport Analytics

- ✓ Indiana trip volume reached 74 million Person-trips (P-trips) in 2014, a gain of more than 3% versus year-earlier levels. This was the strongest showing in our 7-yr history and likely represents a new record high.
- ✓ Daytrips advanced by 3.7% to 45 million Person-trips in 2014. Daytrips are measured as anyone who has traveled more than 50 miles one way to visit an Indiana destination but has not stayed overnight. They include both out-of-state and Hoosier visitors. The high concentration of daytrips (61%) suggests that Indiana is a strong drive destination.
- ✓ Leisure trips rose by 2.9% to 63 million P-trips, while business travel to Indiana expanded 4.6% (@10.4 million) in 2014. Leisure trip purposes dominate Indiana visitation with about 85% of total visitor volume. Leisure trips average about 79% of total across the United States.

Volume By Key Travel Segments

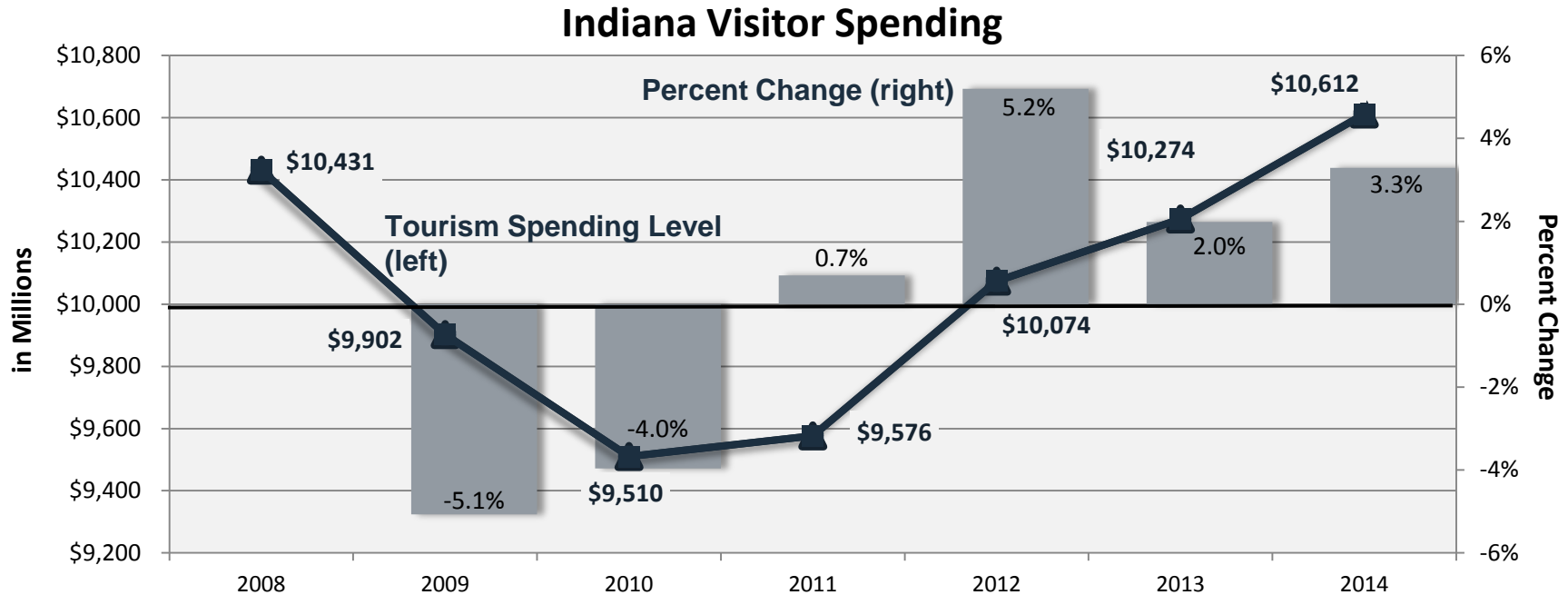


- ✓ Leisure travel to Indiana up by +2.9% in 2014. This was slightly faster than the U.S. average rate of 2.7%.
- ✓ Business travel up by +4.6% in 2014
- ✓ Indiana leisure trips comprise just under 4% of total U.S. leisure travel volume



- ✓ International travel struggled in 2014 on weak economic growth abroad and a strong U.S. dollar rising only 1.8% to an estimated 412,000 Person-trips
- ✓ About 36% of international visitors came from overseas markets, 44% from Canada, and the remaining 20% from Mexico
- ✓ Domestic volume advanced by 3.2% in 2014 to 73.6 million P-trips

Indiana Tourism Finally Surpasses Pre-Recession Peak

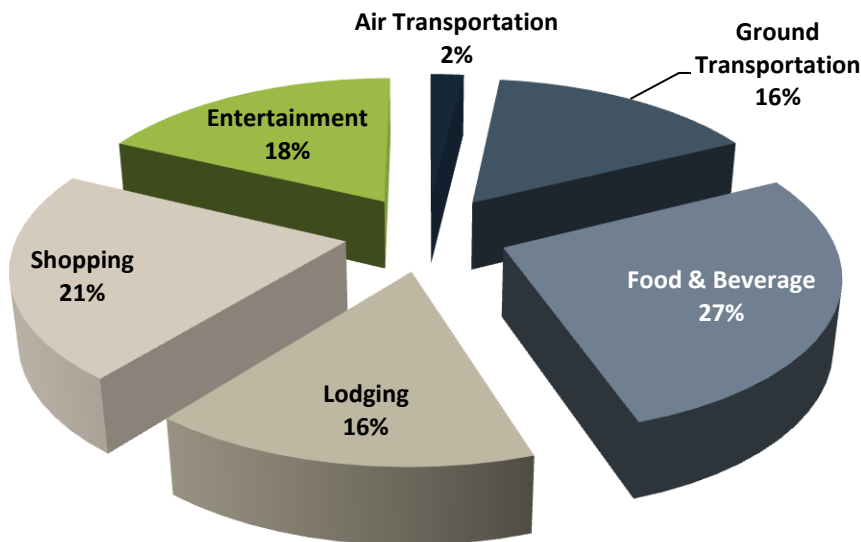


Source: Longwoods International, OTTI, Reach Market Planning, Rockport Analytics

- ✓ Indiana visitor spending burst through its pre-Recession peak in 2014 to reach \$10.6 billion, a 3.3% increase versus the year before. This was the third year in a row of strong growth helping to put the struggles of the Great Recession in the rearview mirror
- ✓ Spending was fueled by better economic performance in Indiana and it's key origin markets, slightly higher travel prices, and renewed interest in Indiana tourism offerings
- ✓ Spend-Per-Visitor levels reached \$143.50 in 2014, essentially flat from the year before
- ✓ U.S. overall visitor spending advanced 4.7% in 2014

2014 Tourism Spending by Category

\$10.6 billion



Source: Longwoods International, OTTI, Reach Market Planning, Smith Travel Research, Rockport Analytics

Lodging & F&B Comprise 43% of Trip Budget

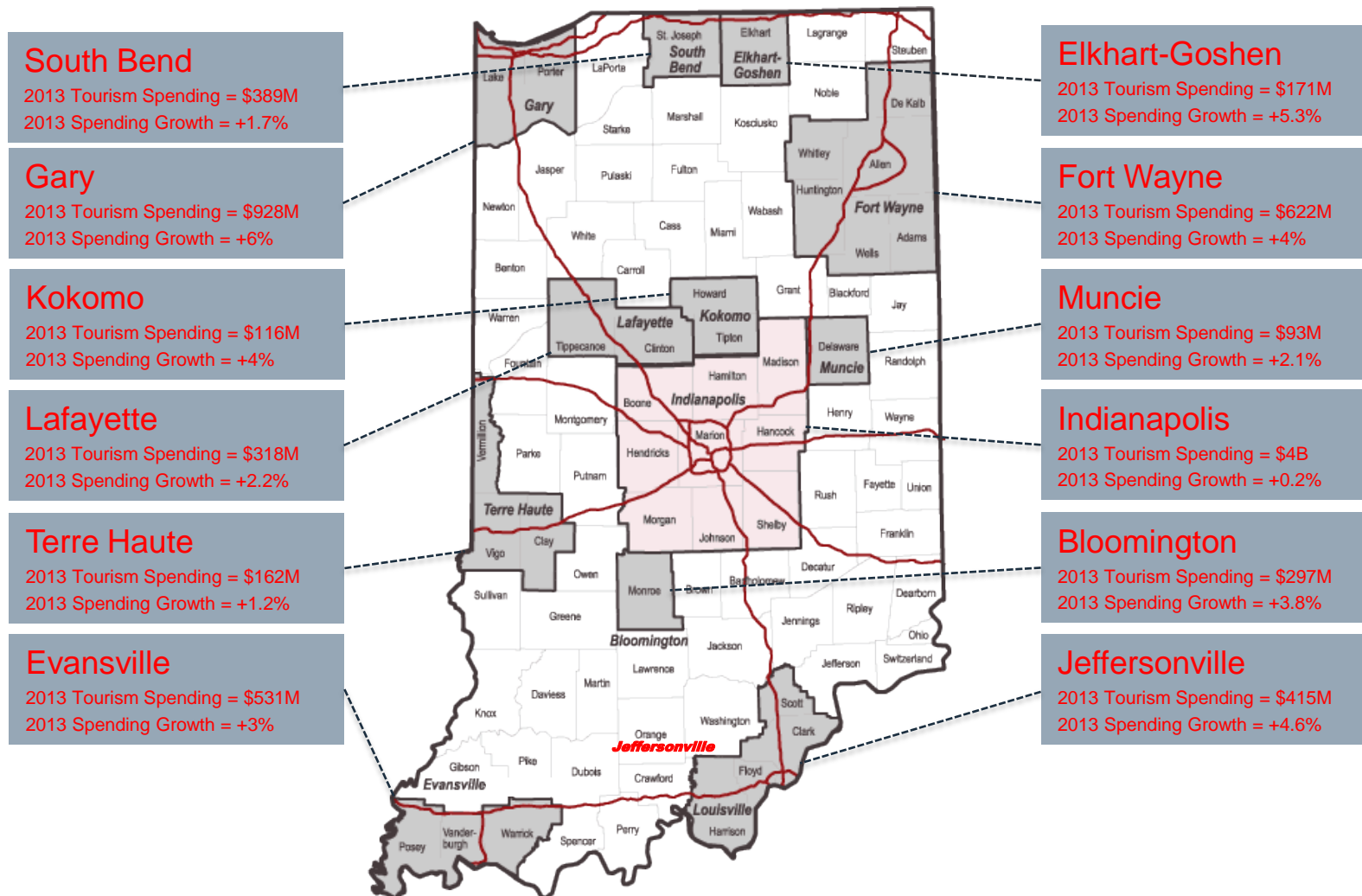
Strongest categorical growth in 2014 came from lodging, F&B and shopping. Ground transportation slower due to declining fuel prices in the second half of the year. Entertainment growth muted by weaker gaming performance.

Lodging spending up sharply on strong occupancy and rate gains

Accommodation spending advanced 6.8% to reach \$1.7 billion in 2014 as hoteliers had another strong year. Meanwhile, food & beverage spend also performed well on solid daytrip growth and redirected savings from lower gas prices. F&B spending rose 4.2% in 2014.

Expenditure Category	2013	2014	Growth
	<i>In Millions USD</i>		<i>%</i>
Air Transportation	\$195	\$205	4.5%
Ground Transportation	\$1,633	\$1,665	1.9%
Food & Beverage	\$2,784	\$2,900	4.2%
Lodging	\$1,565	\$1,671	6.8%
Shopping	\$2,228	\$2,281	2.4%
Entertainment	\$1,869	\$1,890	1.1%
Total	\$10,273	\$10,612	3.3%

Tourism Spending Around the State



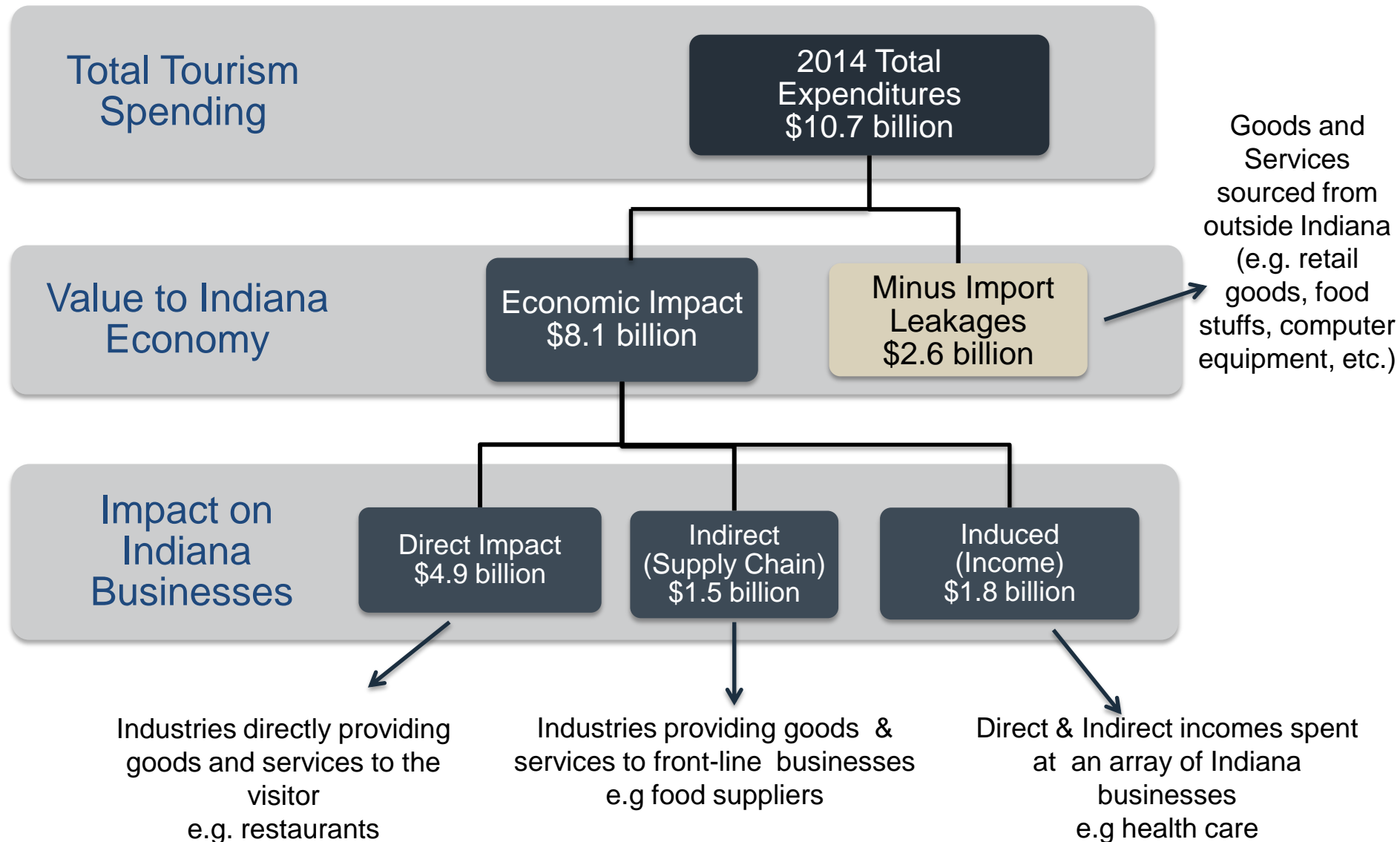
2014 Economic Impact of Tourism in Indiana

Tourism's Contribution to the Indiana Economy



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Indiana Tourism Impact Flows



2014 Economic Impact Summary

2014 Metric	Direct	Indirect	Induced	Total	% 2013	Difference from 2013
Total Visitor Volume <i>(millions of Person-Trips)</i>				74.0M	3.2%	2.3M
Total Tourism Spending				\$10,674 M	3.3%	\$400M
Economic Impact (GDP)	\$4,857M	\$1,474M	\$1,783M	\$8,114M	3.1%	\$244M
Wages	\$3,184M	\$902M	\$988M	\$5,074M	3.1%	\$150M
Jobs	144,210	21,770	25,690	191,670	2.3%	4,260
Tax Receipts				\$2,248M	3.7%	\$74M
Federal				\$1,009	3.1%	\$30M
State & Local				\$1,239	4.2%	\$44M

Highlights:

- Indiana welcomed nearly 74 million visitors in 2014, an increase of more than 2 million versus year-earlier levels
- Total tourism spending passed the \$10.7 billion mark, an increase of 3.3% or \$400 million This is the best outturn since 2008.
- Tourism contributed over \$8.1 billion to Indiana GDP in 2014
- Hoosier tourism supported nearly 192,000 jobs in 2014
- Visitor commerce contributed more than \$2.2 billion in tax receipts, \$1.24 billion of which went to state and local authorities

Tourism Supports Sales in a Multitude of Industries Across the State

Indiana Tourism: 2014 Economic Impact (Value Added/GDP)

Industry (NAICS)*	Direct	Indirect	Induced	Total
	in millions of dollars			
722 Food & drinking places	\$1,420.4	\$55.1	\$86.3	\$1,561.7
485 Ground transportation	\$987.8	\$1.7	\$2.5	\$992.0
721 Accommodations	\$758.7	\$1.0	\$0.8	\$760.5
531 Real estate	\$0.0	\$167.0	\$376.9	\$543.9
452 Retail stores	\$480.6	\$5.0	\$43.8	\$529.4
713 Amusement- gambling & rec	\$418.1	\$1.8	\$21.5	\$441.4
712 Museums & similar	\$363.1	\$0.0	\$2.0	\$365.0
712 Performing arts & spectator sports	\$249.9	\$35.7	\$6.1	\$291.7
541 Professional, scientific & tech svcs	\$13.9	\$205.7	\$68.3	\$287.9
561 Admin support svcs	\$0.0	\$146.0	\$42.3	\$188.3
621 Ambulatory health care	\$0.0	\$0.3	\$172.7	\$172.9
42 Wholesale Trade	\$0.0	\$53.5	\$94.7	\$148.2
221 Utilities	\$0.0	\$101.0	\$43.4	\$144.4
521 Monetary authorities	\$0.0	\$51.7	\$73.9	\$125.6
524 Insurance carriers & related	\$0.0	\$66.4	\$54.8	\$121.2
532 Auto rental & leasing	\$84.7	\$13.5	\$8.8	\$107.1
92 Government	\$12.7	\$70.0	\$22.2	\$104.8
622 Hospitals	\$0.0	\$0.0	\$101.5	\$101.5
517 Telecommunications	\$0.0	\$48.4	\$34.9	\$83.3
230 Construction	\$0.0	\$56.8	\$19.5	\$76.3
481 Air transportation	\$67.1	\$2.2	\$4.2	\$73.4
Other Industries	\$0.0	\$391.7	\$501.8	\$893.5
Total	\$4,857.0	\$1,474.3	\$1,782.7	\$8,114.1
Total - 2013	\$4,708.0	\$1,432.0	\$1,729.8	\$7,869.9
% Change	3.2%	3.0%	3.1%	3.1%

Direct

Businesses that serve Indiana visitors

Indirect

Supply Chain businesses that often do not fully appreciate the benefits visitors bring to Indiana

Induced

Tourism-supported workers spend much of their wages locally creating benefits to virtually all local businesses

* North American Industrial Classification System (NAICS). For specific industry definitions, see www.census.gov

Jobs in a Wide Array of Sectors Also Impacted by State Tourism

Indiana Tourism: 2014 Economic Impact (Employment)

Industry (NAICS)*	Direct	Indirect	Induced	Total
722 Food & drinking places	53,050	2,060	3,220	58,330
485 Transit & ground passengers	34,410	60	90	34,550
721 Accommodations	15,920	20	20	15,960
712 Performing arts & spectator sports	13,530	1,450	280	15,270
452 Retail stores	11,580	120	1,050	12,750
713 Amusement- gambling & recreation	8,910	60	400	9,370
561 Admin support svcs	0	4,180	1,200	5,380
712 Museums & similar	5,030	0	30	5,060
541 Professional- scientific & tech svcs	190	2,660	900	3,740
531 Real estate	0	1,910	1,220	3,130
621 Ambulatory health care	0	0	2,090	2,090
622 Hospitals	0	0	1,530	1,530
92 Government	220	850	290	1,360
42 Wholesale Trade	0	450	800	1,250
812 Personal & laundry svcs	0	640	580	1,220
230 Construction	0	930	260	1,190
813 Religious- grantmaking- & similar orgs	0	290	860	1,140
611 Educational svcs	0	110	950	1,060
623 Nursing & residential care	0	0	1,030	1,030
811 Repair & maintenance	0	560	450	1,010
524 Insurance carriers & related	0	570	430	990
Other Industries	1,360	4,860	8,010	14,230
Total	144,210	21,770	25,690	191,670
Total 2013	140,540	21,520	25,350	187,410
% Change	2.6%	1.2%	1.3%	2.3%

- ✓ Over 144,000 jobs were directly supported by tourism activity in 2014. Another 22k jobs were supported by the tourism supply chain and 26k through the wages spent by tourism workers.
- ✓ Direct tourism employment expanded by 2.6% in 2014. Meanwhile, total Indiana job growth was 1.5%

* North American Industrial Classification System (NAICS). For specific industry definitions, see www.census.gov

Tourism Still Indiana's 7th Largest Industry Accounting for 5% of Employment

2014 Tourism in Indiana: Ranking of Major Industries By Total Employment

Rank	Industry (w/ NAICS)	2014 Tourism- Initiated Jobs	2014 Reported	2014 Tourism- Extracted	% of Total Employment	13-14 Growth Rate
1	31-33 Manufacturing	-	507,191	507,191	17.5%	3.1%
2	92 Government	217	390,864	390,647	13.5%	0.0%
3	62 Health & social services	-	371,061	371,061	12.8%	0.2%
4	44-45 Retail trade	11,577	319,045	307,468	10.6%	0.9%
5	72 Accommodation & food services	68,977	253,146	184,169	6.4%	0.4%
6	56 Administrative & waste services	-	183,885	183,885	6.4%	5.2%
7	Core Tourism Industry	144,209		144,209	5.0%	2.5%
8	23 Construction	-	123,046	123,046	4.3%	-0.2%
9	42 Wholesale Trade	-	117,787	117,787	4.1%	0.7%
10	54 Professional- scientific & tech svcs	192	105,197	105,005	3.6%	3.2%
11	52 Finance & insurance	-	93,040	93,040	3.2%	0.7%
12	81 Other services	-	83,174	83,174	2.9%	0.6%
13	48-49 Transportation & Warehousing	35,110	116,772	81,662	2.8%	4.3%
14	61 Educational svcs	-	49,715	49,715	1.7%	0.1%
15	51 Information	-	35,565	35,565	1.2%	-0.5%
16	53 Real estate & rental	659	32,894	32,235	1.1%	1.2%
17	55 Management of companies	-	32,123	32,123	1.1%	3.5%
18	11 Ag, Forestry, Fish & Hunting	-	14,582	14,582	0.5%	2.0%
19	22 Utilities	-	14,134	14,134	0.5%	-0.2%
20	71 Arts- entertainment & recreation	27,476	40,603	13,127	0.5%	-5.3%
21	21 Mining	-	6,893	6,893	0.2%	3.0%
Total Indiana Employment		144,209	2,890,717	2,890,717	100%	1.5%

Source: Rockport Analytics, BLS, Moody's Analytics, IMPLAN

Reported: As released by the Bureau of Labor Statistics and the Indiana Department of Labor

Tourism Extracted: Tourism's contribution to jobs in each industry is removed and placed in "Indiana's Tourism Industry"

Indiana Tourism-Initiated Tax Revenue

2013 – 2014 Tourism Tax Revenue Collections

	2013	2014	% Change
Federal:	<i>in thousands of dollars</i>		
Corporate Income	\$132,743	\$136,819	3.1%
Personal Income	\$279,253	\$287,781	3.1%
Excise & Fees	\$79,353	\$82,094	3.5%
Social Security & Other Taxes	\$487,398	\$502,374	3.1%
Federal Total	\$978,747	\$1,009,068	3.1%
State:			
Corporate Income	\$18,765	\$19,341	3.1%
Personal Income	\$93,516	\$96,371	3.1%
Social Insurance Taxes	\$4,933	\$5,085	3.1%
Other Business Taxes	\$30,089	\$31,107	3.4%
Excise & Fees	\$38,254	\$39,439	3.1%
Rental Car Excise	\$5,482	\$5,778	5.4%
Sales Taxes	\$572,120	\$592,232	3.5%
Indiana Total	\$763,159	\$789,354	3.4%
Local:			
Personal Income	\$13,359	\$13,767	3.1%
Hotel Tax	\$84,699	\$90,584	4.7%
Admission Taxes	\$866	\$1,473	70.2%
Property Taxes	\$320,822	\$331,896	3.5%
Rental Car	\$2,324	\$3,999	72.1%
Food & Beverage	\$2,683	\$2,626	-2.1%
Other Licenses, Fines & Fees	\$4,745	\$4,899	3.3%
Local Total	\$429,499	\$449,244	4.6%
Total Indiana Tourism-Initiated Taxes	\$2,171,120	\$2,247,666	3.5%

Hoosier tourism is an important contributor to state & local government

- ✓ Tourism-initiated taxes reached \$2.25 billion in 2014, \$1.24 billion of which went to state and local authorities. Tourism-initiated taxes rose 3.5% last year.
- ✓ If tourism did not exist in Indiana, taxing authorities around the state would need to generate an average of \$500 in additional state & local taxes from each of Indiana's 2.5 million households to maintain current levels of tax receipts
- ✓ Tourism provides about 1.5% of Indiana's GDP but contributes 3.4% of state & local tax collections.
- ✓ Indiana tourism-initiated admission and rental car excises were boosted in 2014 by Marion County rate increases in both levies
- ✓ Hoosier tourism has an effective tax rate of 21%, well below the national average of 30%.

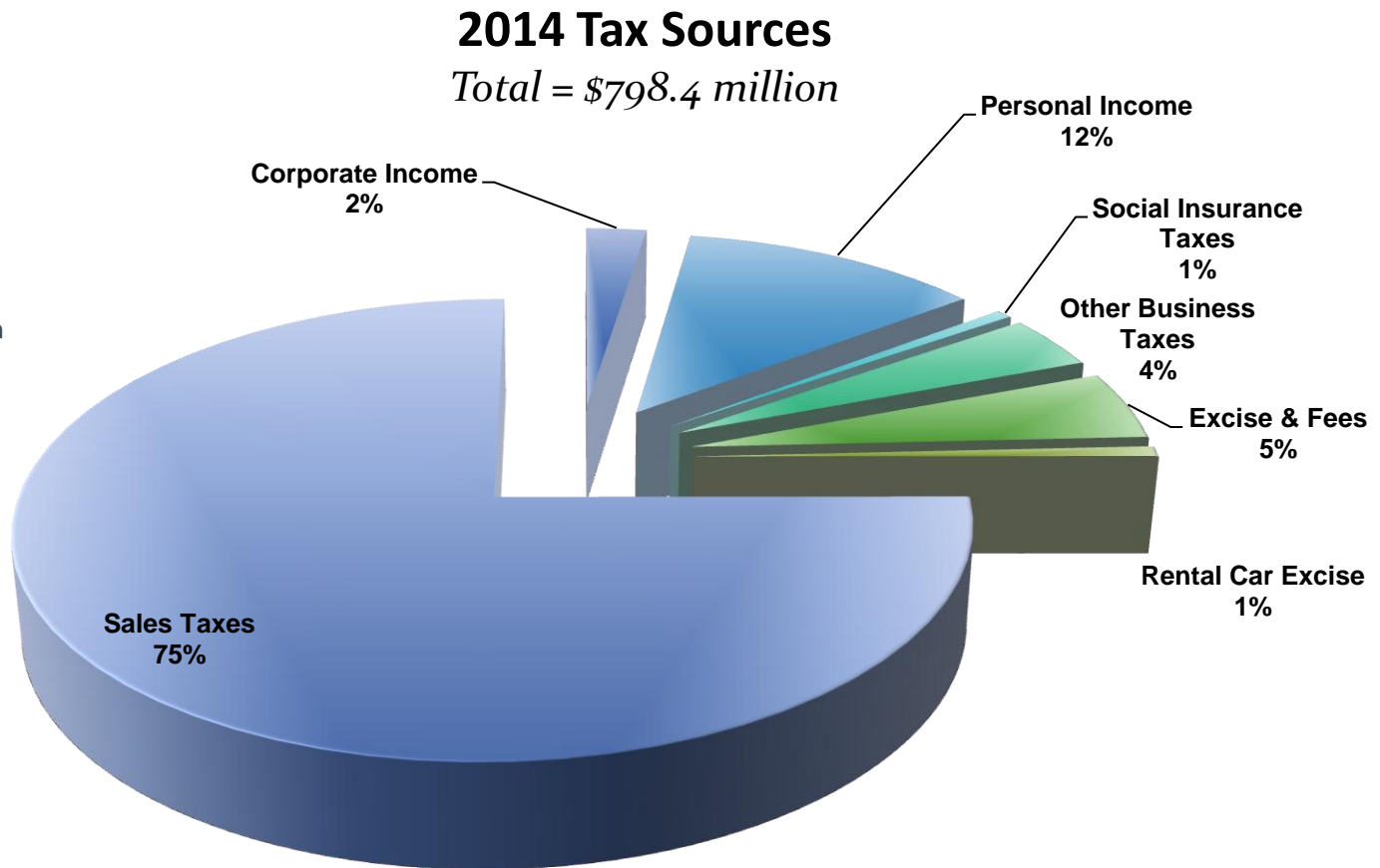
* Excluding property taxes

Indiana Tourism-Initiated State Tax Revenue

State level tourism-initiated tax receipts are dominated by sales tax collections

Nearly every dollar of visitor spending is touched by Indiana's 7% sales tax. Tourism-initiated sales tax collections reached \$592 million in 2014, roughly 9% of all sales tax collections in the state.

Income taxes paid by tourism workers and other excise taxes are also significant contributors.



Source: Rockport Analytics, IMPLAN, Indiana Department of Revenue

Indiana Tourism-Initiated Local Tax Revenue

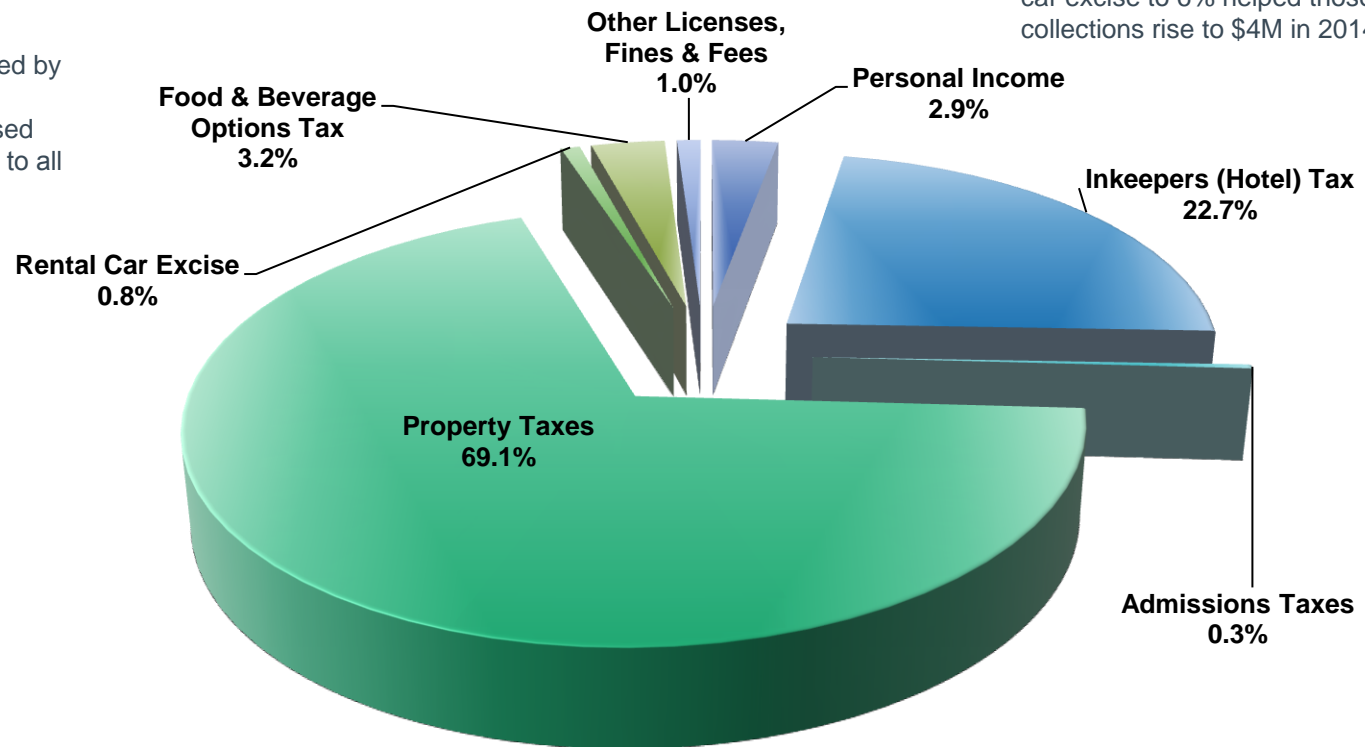
Local level tourism-initiated taxes are dominated by property levies

Tourism's contribution to Hoosier property taxes reached \$332 million in 2014

Property taxes are calculated by allocating a portion of total property tax collections based upon tourism's contribution to all property-based activity.

2014 Local Tax Sources

Total = \$461.9 million



Hotel taxes expanded by 4.7% in 2014 to reach \$91M in 2014

These taxes are derived directly from room night revenues and comprise nearly 23% of local tourism collections.

Marion County's increase in the rental car excise to 6% helped those collections rise to \$4M in 2014.

Source: Rockport Analytics, IMPLAN, Indiana Department of Revenue, CIB

How Does Tourism Benefit Indiana?

By Promoting a Healthy Job Market

1 in every 15 IN workers owes his/her job to tourism activity. Tourism was responsible for nearly 10% of net new IN jobs in 2014. It takes only 394 visitors to support one new job in Indiana.

Contributing to the Health of the Public Education System

Tourism-initiated state & local tax revenue was sufficient to educate 125,000 IN public school students. That is 12% of the state's entire K-12 enrollment.

Playing a Significant Role in the Indiana Economy's Industrial Composition

Tourism is the 7th largest industry (6th not including Government) in Indiana (by jobs). Tourism contributed 10% of net new Indiana jobs in 2014.

Directly Benefiting Area Businesses

Each Indiana visitor spent an average of \$144 locally on transportation, hotel, F&B, shopping, and entertainment

Providing Tax Revenue to Support Local State & Local Government

Each visitor generated roughly \$30 in tax receipts, \$17 of which went to state and local authorities. IN tourism contributed more than \$1.2 billion in tax revenue to the state and local coffers in 2014. The industry comprises about 1.5% of Indiana's Gross State Product yet contributes nearly 3.4% of its tax revenues.

Helping to Relieve the Tax Burden of Indiana Households

If visitors stopped coming to Indiana each of its 2.5 million households would have to pay an additional \$500 in state & local taxes in order to maintain current levels of tax receipts.

Capturing and Retaining the Expenditures Made By Visitors

For every \$1 spent by IN visitors in 2014, the state economy retained about 76¢. About 48¢ of that retained benefit went towards paying IN workers a total of \$5.1 billion in wages and salaries. And 12¢ of each visitor dollar went towards the payment of state and local taxes



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